

## Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 L-03 H-01 CIAE-00 INR-07  
NSAE-00 HEW-04 TRSY-02 OMB-01 /044 W  
-----020609Z 024372 /11

R 011537Z APR 77  
FM AMEMBASSY BONN  
TO SECSTATE WASHDC 7086  
INFO AMCONSUL BREMEN  
AMCONSUL DUSSELDORF  
AMCONSUL FRANKFURT  
AMCONSUL HAMBURG  
AMCONSUL MUNICH  
AMCONSUL STUTTGART  
USMISSION USBERLIN  
AMEMBASSY PARIS  
AMEMBASSY LONDON  
AMEMBASSY ROME  
AMEMBASSY THE HAGUE  
AMEMBASSY VIENNA  
AMEMBASSY STOCKHOLM  
AMEMBASSY LUXEMBOURG  
AMEMBASSY COPENHAGEN  
AMEMBASSY LISBON  
AMEMBASSY OSLO  
USMISSION GENEVA  
USMISSION EC BRUSSELS  
AMEMBASSY MADRID

LIMITED OFFICIAL USE SECTION 01 OF 02 BONN 05806

E.O. 11652: N/A  
TAGS: ELAB, SOCI, GW  
SUBJECT: REFORM PROGRAM FOR OLD AGE AND HEALTH INSURANCE REACHES FRG BUNDESTAG

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REF: (A) BONN 02609; (B) BONN 01653; (C) BONN 01304;  
(D) BONN 0765

SUMMARY: THE BUNDESTAG, ON MARCH 17, BEGAN DISCUSSION  
OF TWO GOVERNMENT-SPONSORED BILLS DEALING WITH THE  
RESTORATION OF THE FINANCIAL VIABILITY OF THE OLD AGE  
INSURANCE SYSTEM AND A COST REDUCTION PROGRAM IN

HEALTH INSURANCE. THE BILLS WERE REFERRED TO COMMITTEE FOR FURTHER CONSIDERATION. THE CDU/CSU SUBMITTED ITS LONG-HERALDED ALTERNATIVE PROPOSALS ON PENSION REFORM WHICH, IN FACT, ARE NOT MUCH DIFFERENT FROM THE GOVERNMENT'S PROGRAM. THE BUNDESRAT AGREED WITH THE GOVERNMENT THAT THE BILL ON OLD AGE INSURANCE REFORM DOES NOT REQUIRE ITS APPROVAL; IT WILL, HOWEVER, HAVE THE LAST WORD ON THE BILL DESIGNED TO CURB INCREASING HEALTH INSURANCE COSTS. END SUMMARY.

1. THE GOVERNMENT'S PROGRAM TO REFORM THE OLD AGE INSURANCE AND HEALTH INSURANCE SYSTEMS WAS APPROVED BY THE CABINET ON FEBRUARY 18. THAT PROGRAM IS BASICALLY UNCHANGED FROM WHAT WE REPORTED IN REFTELS B AND D.

2. ON MARCH 11, THE BUNDESRAT BEGAN ITS PRELIMINARY CONSIDERATION OF THE BILLS. AS THE FIRST ITEM OF BUSINESS, THE BUNDESRAT DECIDED THAT THE BILL ON OLD AGE INSURANCE DID NOT REQUIRE ITS APPROVAL -- REPRESENTATIVES FROM LOWER SAXONY AND THE SAARLAND, WHICH HAVE CDU/FDP COALITION GOVERNMENTS, VOTED WITH THE SPD/FDP COALITION -- BUT THAT THE HEALTH INSURANCE BILL DID. NEVERTHELESS, IT DID RECOMMEND, INTER ALIA, THAT THE OLD AGE INSURANCE BILL BE MODIFIED TO MAINTAIN THE PRINCIPLE THAT "DYNAMIC" PENSION ADJUSTMENTS BE TIED TO GROSS EARNINGS RATHER THAN NET EARNINGS AS RECOMMENDED IN THE GOVERNMENT PLAN.

3. ON THE BILL TO CURB GROWING MEDICAL COSTS, LIMITED OFFICIAL USE

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WHICH IT WILL HAVE TO APPROVE, THE BUNDESRAT RECOMMENDED OVER 60 TECHNICAL AMENDMENTS TO THE GOVERNMENT PROPOSAL. BASICALLY, INSTEAD OF RESTRICTIONS ON REMUNERATION TO DOCTORS AND LIMITS ON COSTS OF MEDICINES, THE BUNDESRAT SUGGESTED A "CONCERTED ACTION" PROGRAM BY ALL INVOLVED PARTIES AND VOLUNTARY AGREEMENTS TO CHECK BURGEONING MEDICAL COSTS. IT DID NOT EXCLUDE, HOWEVER, THAT LEGISLATIVE ACTION MAY BE NECESSARY IF THESE VOLUNTARY RESTRAINTS SHOULD FAIL. THE BUNDESRAT ALSO ADVOCATED THE MAINTENANCE OF PRESENT REGULATIONS BY WHICH HOSPITALIZATION RATES ARE FIXED BY STATE GOVERNMENTS AND OPPOSED THE GOVERNMENT PROPOSAL TO RAISE THE CEILING FOR HEALTH INSURANCE CONTRIBUTIONS FROM 75 TO 85 PERCENT OF THE CEILING FOR OLD AGE INSURANCE CONTRIBUTIONS.

4. IN THE BUNDESTAG, ON MARCH 17, THE CDU/CSU OPPOSITION UNVEILED ITS ALTERNATIVE PROPOSALS FOR SOLVING THE PROBLEMS OF THE OLD AGE AND HEALTH INSURANCE SYSTEMS.

THEIR CDU/CSU SUGGESTIONS INDICATED THAT THE DIFFERENCES BETWEEN COALITION AND OPPOSITION HAD NARROWED ON THE SUBJECT OF PENSION REFORM BUT THAT STRONG DISAGREEMENT STILL EXISTED ON THE REFORM OF THE HEALTH INSURANCE SYSTEM. IN BRIEF, THE CDU/CSU CONCURRED WITH THE GOVERNMENT PROPOSALS TO:

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A) IMPLEMENT THE NEXT "DYNAMIC" PENSION ADJUSTMENT  
OF 9.9 PERCENT ON JULY 1, 1977;  
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- B) DELAY THE FOLLOWING "DYNAMIC" ADJUSTMENT UNTIL  
JANUARY 1, 1979;  
C) REQUIRE THE FEDERAL EMPLOYMENT SERVICE TO PAY  
OLD AGE INSURANCE CONTRIBUTIONS FOR THE UNEM-  
PLOYED;  
D) REDUCE TEMPORARILY THE RESERVES OF THE OLD AGE  
INSURANCE SYSTEMS TO THE EQUIVALENT OF ONE  
MONTH'S EXPENDITURES.

5. ON THE OTHER HAND, CDU/CSU SPOKESMEN OPPOSED THE  
GOVERNMENT PROPOSAL IN CERTAIN AREAS AND MAINTAINED  
THAT:

- A) "DYNAMIC" ADJUSTMENTS SHOULD REMAIN TIED TO GROSS  
EARNINGS IN 1979 AND 1980;  
B) THE COMPUTATION FORMULA FOR CALCULATING BASE  
PENSIONS SHOULD NOT BE CHANGED;  
C) MAJOR COSTS OF PENSIONERS' "MEDICARE" PROGRAM SHOULD  
NOT BE SHIFTED TO THE HEALTH INSURANCE FUNDS;  
D) PENSIONERS WHOSE PENSIONS EXCEEDED DM 660 PER  
MONTH SHOULD BE REQUIRED TO CONTRIBUTE 2.6  
PERCENT IN 1979 AND 4 PERCENT THEREAFTER TO THE  
HEALTH INSURANCE FUNDS;  
E) REIMBURSEMENT FROM THE OLD AGE INSURANCE FUNDS  
TO THE HEALTH INSURANCE FUNDS FOR PENSIONERS'  
"MEDICARE" BENEFITS SHOULD NOT BE FROZEN AT 11  
PERCENT AS RECOMMENDED BY THE GOVERNMENT.

6. FOLLOWING THE LINE RECOMMENDED BY THE BUNDESRAT,  
THE CDU/CSU CATEGORICALLY OPPOSED THE GOVERNMENT BILL  
TO CURB COSTS IN HEALTH INSURANCE, RECOMMENDING IN-  
STEAD "CONCERTED ACTION" BY ALL PARTIES INVOLVED TO  
WORK OUT A PROGRAM OF VOLUNTARY RESTRAINT. THE  
CDU/CSU WOULD CONSIDER LEGISLATIVE MEASURES IF, AFTER  
A TRIAL PERIOD OF 2 YEARS, THE VOLUNTARY PROGRAM  
SHOULD FAIL.

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7. THE BUNDESTAG LABOR AND SOCIAL AFFAIRS COMMITTEE  
BEGAN HEARINGS ON BOTH BILLS ON MARCH 23 AND THE

GOVERNMENT HOPES TO HAVE ITS PROGRAM ADOPTED BY JULY 1, WHEN THE NEXT "DYNAMIC" ADJUSTMENT HAS BEEN PROMISED.

8. COMMENT: DURING THE DEBATES, SPOKESMEN FOR THE OPPOSITION DID NOT CHALLENGE THE GOVERNMENT'S STATISTICS ON THE STATUS OF RESERVES FOR THE OLD AGE INSURANCE SYSTEM, TACITLY ACCEPTING THE GOVERNMENT FIGURES IN CALCULATING ITS OWN ALTERNATIVES. BY FOCUSING ON THE HEALTH INSURANCE PROGRAM, THE CDU/CSU SEEMS TO BE EMPHASIZING THE AREA OF CONTENTION BETWEEN THE SPD AND FDP COALITION PARTNERS. SIMILAR TACTICS WERE USED IN THE PARLIAMENTARY DISCUSSIONS ON THE CODETERMINATION BILL LAST YEAR AND THE OPPOSITION MAY BE TRYING TO USE THE SAME APPROACH TO FORCE A MAJOR REVISION IN THE GOVERNMENT'S HEALTH INSURANCE PROPOSALS. HOWEVER, BOTH COALITION AND OPPOSITION PROPOSALS SEEM TO AGREE THAT ANY FINANCIAL RECOVERY PROGRAM WOULD COVER THE PERIOD 1977-1980 AND THAT A NEW AND COMPREHENSIVE REFORM OF THE OLD AGE INSURANCE SYSTEM WILL HAVE TO BE INITIATED BY A NEW GOVERNMENT BEGINNING IN 1981.

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## Message Attributes

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**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** OLD AGE INSURANCE, CENTRAL LEGISLATURE, HEALTH INSURANCE, PENSIONS  
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**Copy:** SINGLE  
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**Decaption Note:**  
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**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
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**Document Unique ID:** 00  
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**Enclosure:** n/a  
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**Errors:** N/A  
**Expiration:**  
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**Original Handling Restrictions:** n/a  
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**Reference:** 77 BONN 2609, 77 BONN 1653, 77 BONN 1304, 77 BONN 765  
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**Review Release Event:** n/a  
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**TAGS:** ELAB, SOCI, GE  
**To:** STATE  
**Type:** TE  
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